

**MONTHLY REPORT**  
**OF THE**  
**INVESTMENT ADVISORY**  
**COMMITTEE**  
**OF THE CITY OF HAMILTON, OHIO**

**July 1, 2015 through July 31, 2015**

# INVESTMENT ADVISORY COMMITTEE

JULY 2015

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# **Monthly Investment Committee Report**

**July 2015**

## **Introduction**

This document meets the requirement of the City of Hamilton's Certified Investment Policy to report monthly to the Investment Advisory Committee. The report is designed to allow the Committee to ascertain that the City's investment activities conform to the Investment Policy and achieve the benchmark rate of return. In addition, the report includes commentary regarding the fixed income market and general economic conditions.

The Investment Advisory Committee approves the Investment Policy, reviews the City's investments, and adopts rules that assure the Policy is met. The Committee includes the Mayor (or Council designee), the City Manager, the Law Director, the Finance Director, and the Treasurer. The Committee attempts to meet annually and to convey investment reports monthly.

It is the policy of the City of Hamilton, Ohio to invest interim funds to achieve the maximum preservation and security of funds, meet daily cash flow needs, and after achieving these objectives, achieve the highest rate of return. Investments are made using the "prudent investor" rule. Funds sufficient to meet payment obligations are kept in liquid funds. Funds not immediately needed are invested. Investments are made with the expectation that they will be held to maturity.

Investments include only those as provided in Chapter 135 of the Ohio Revised Code. All deposits must be collateralized at 102% of market value. Investments are diversified in accordance with the Investment Policy. The maximum maturity for investments is five years.

The City has pooled General Accounts, Rate Stabilization Accounts for the four City utilities, and an Electric System Reserve Account.

The portfolio performance standard is a weighted benchmark as follows: 50% average two-year Treasury Note, 25% three month average Star Plus yield; 25% Federal Funds Rate.

The City has a checking sweep account at US Bank, STAR Ohio & Star Plus money market accounts managed by the Ohio Treasurer of State, managed accounts with Bond-Tech, Inc., two First Financial Bank Money Market Accounts, and one First Financial Bank Certificate of Deposit. The City also has a custodial account with US Bank to settle trades.

Account	June Book Value	July Book Value	Variance	Interest Rate %
U.S. Bank Sweep Acct	7,421,356.51	5,403,640.66	(2,017,715.85)	0.05
First Financial-Gen Oper	28,348,465.12	22,352,935.27	(5,995,529.85)	0.20
COH Treasurer's Notes	664,634.30	664,634.30	0.00	1.96
STAR Ohio – General	0.00	0.00	0.00	0.10
STAR Plus	20,071,505.45	20,074,911.74	3,406.29	0.20
First Financial Rate Stab.	12,830,057.33	12,832,236.69	2,179.36	0.20
First Financial Bank CD (Benninghofen Trust)	75,000.00	75,000.00	0.00	0.35
Bond Tech Managed Portfolio	22,992,334.12	29,990,791.35	6,998,457.23	1.083
Total	92,403,352.83	91,394,150.02	(1,009,202.81)	

As noted in the table above, the total portfolio balance for July dropped \$1,009,202.81 from June as described below.

The July **US Bank Sweep Account** dropped, as additional funds were used for investment purchases.

The **First Financial General Operating** account decreased from June to July, as funds were moved to purchase investments, with interest income earnings of \$4,470.15.

The **City of Hamilton's Treasurer's Notes**: Four Treasurer's Notes remain on the books effective July 31, 2015. A Treasurer's Note of \$100,000.00 financed the acquisition and installation of new golf course maintenance and irrigation equipment for the City's municipal golf courses. The note balance is \$20,000. A second Treasurer's Note of \$1,000,000.00 was sold to construct various 2010 special assessment projects. The note balance is \$192,800. The third Treasurer's Note of \$425,000.00 was sold in July, 2011 for a portion of the construction and repair of sidewalks, curbs, and gutters on various streets as part of the 2011 Special Assessment Street and Sidewalk Program. The note balance is \$170,000.00. The last Treasurer's Note of \$475,750.00 was sold February 15, 2013 for Municipal Golf Course maintenance equipment, clubhouse improvements, and golf and beverage cart purchases. The note balance is \$281,834.30.

The **STAR Ohio General Money Market** account remains at a zero balance as all funds were previously transferred to other institutions providing higher yields.

The **STAR Plus** account continues to provide attractive yields for liquid investments. STAR Plus is a federally insured cash account that enables Ohio's political subdivisions to receive very competitive yields on their cash deposits thru a network of carefully-selected FDIC insured banks. STAR Plus offers weekly liquidity without penalty from withdrawals and seamless integration with the existing general operating STAR Ohio account. The City received 20 basis points for July, or \$3,406.29 in interest earnings.

The **First Financial Rate Stabilization** account has provided a stable investment opportunity. Funds were transferred from the Star Ohio Rate Stabilization Account to earn the higher rate of return. Interest income for July was \$2,179.36.

The **First Financial Bank CD Portfolio** consists of one \$75,000.00 CD for the Benninghofen Trust Fund. The rate is 35 basis points, maturing August, 2015. Additional CD's could be purchased if attractive cash equivalent yields become available.

The net increase in the **Bond Tech Managed Portfolio** of government securities reflects three investment purchases of \$6,997,500.00, no investment calls, the net of Treasury Investment Pool premiums and discounts as of July 31, and interest income. Additional investments have been purchased as attractive securities have become available and market yields continue to rise.

## I. INVESTMENT ACTIVITY REPORT

July 2014

Monetary policy is made by the Federal Open Market Committee (FOMC) which consists of the members of the Board of Governors of the Federal Reserve System and five Reserve Bank presidents. Together, they are responsible for open market operations, the discount rate, and reserve requirements. The FOMC holds eight regularly scheduled meetings during the year and other meetings as needed. The FOMC met in July.

The federal funds rate continues at 0.00% - 0.25%. The Committee will continue to assess labor market conditions, inflation data and financial developments to determine when an appropriate increase in the federal funds rate is warranted. It is expected that the target rate will remain as is for some time, depending on the economy's ability to meet the Committee's employment and inflation objectives. The Fed would like to see further labor market improvements and rising inflationary trends toward 2% before a rate hike would be recommended.

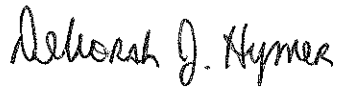
The City's account balance of \$91,394,150.02 consists of the Bond Tech invested portfolio, four Treasurer's Notes, STAR Plus, two First Financial Money Markets, one First Financial CD, and the US Bank Sweep (See Tables II and III). For July, the Bond Tech General account had an unrealized loss in market value compared to book value of \$11,287.23 on the existing securities. This is a fluctuation where the market value of the securities dropped below book value at the time of reporting. Additional "step-up" securities are planned for purchase. The portfolio experienced no realized gain or losses. Total undistributed interest income for these accounts totaled \$8,147.42, including Treasury Investment Pool activity.

One CD continues to be on the books as of July 31, 2015, held by First Financial Bank. With market conditions improving, additional CD opportunities may be an option for purchase.

The City of Hamilton's Investment Policy requires portfolio reporting to the Investment Advisory Committee, including investment type, book value, market value and income earned. The Portfolio Performance Summary Table III provides this detail.

The Realized Estimated Annual Income for the portfolio is \$448,613.58, consisting of realized net gains or losses plus estimated annual interest. It calculates to be 0.49% of investment book value versus the benchmark target of 0.45%. The approximate \$30.0 million Bond Tech book values gained yields in excess of one percent, but still contributed to an unrealized loss, as the overall value of the securities fell below book value at the day of reporting. Efforts continue to locate additional securities and institutions that have the ability to maximize the City's returns. As always, conservatism remains the key to meet our investment objectives of safety first, liquidity second and lastly yield.

Respectfully submitted,

A handwritten signature in cursive script that reads "Deborah J. Hymer".

Deborah J. Hymer  
Treasurer

## II. Portfolio Balance Summary - July 31, 2015

### General Accounts -- Book Values

#### Liquid Funds

STAR Ohio - General	\$	-
Star Plus	\$	20,074,911.74
U.S. Bank Treasury Investment	\$	5,403,640.66
First Financial*	\$	21,202,935.27
<b>Total</b>	<b>\$</b>	<b>46,681,487.67</b>

#### Invested Funds

Bond Tech			
U.S. Treasury/Agency	\$	29,990,791.35	
Certificates of Deposit	\$	75,000.00	
U.S. Treasury/Agency	\$	-	
Money Market Fund	\$	-	
COH Treasurer's Note *	\$	-	Held w/in US Bank O/N
COH Treasurer's Note *	\$	20,000.00	Held w/in US Bank O/N
COH Treasurer's Note *	\$	192,800.00	Held w/in US Bank O/N
COH Treasurer's Note *	\$	170,000.00	Held w/in US Bank O/N
COH Treasurer's Note *	\$	281,834.30	Held w/in US Bank O/N
<b>Total</b>	<b>\$</b>	<b>30,730,425.65</b>	

### Total Liquid and Invested Funds

**\$ 77,411,913.32**

### Utility Rate Stabilization & Reserve Accounts

	<u>First Financial</u>	<u>Invested Funds</u>	<u>Reserve Funds</u> *Held as part of First Financial
<b>Gas Utility (Fund 516)</b>			
Liquid Funds First Financial	\$ 2,510,142.50		
Bond Tech U.S. Treasury/Agency		\$ -	
Reserve Account (Fund 517)			\$ 200,000.00 *
<b>Electric Utility (Fund 526)</b>			
Liquid Funds First Financial	\$ 2,108,385.68		
Bond Tech U.S. Treasury/Agency		\$ -	
<b>Electric System Reserve (Fund 527)</b>			
Liquid Funds First Financial	\$ 4,804,278.42		
Bond Tech U.S. Treasury/Agency		\$ -	
<b>Water Utility (Fund 536)</b>			
Liquid Funds First Financial	\$ 1,378,200.29		
Bond Tech U.S. Treasury/Agency		\$ -	
Reserve Account (Fund 537)			\$ 200,000.00 *
<b>Waste Water Utility (Fund 546)</b>			
Liquid Funds First Financial	\$ 2,031,229.81		
Bond Tech U.S. Treasury/Agency		\$ -	
Reserve Account (Fund 547)			\$ 750,000.00 *
<b>Total</b>	<b>\$ 12,832,236.70</b>	<b>\$ -</b>	<b>\$ 1,150,000.00</b>
			<b>\$ 13,982,236.70</b>

### Grand Total All Funds

**\$ 91,394,150.02**



### III. Portfolio Performance Summary As of July 31, 2015

Investment	Book Value	Market Value	Unrealized Gains/Losses	Realized Gains/Losses	Estimated Annual Interest	Estd Annual Total Income	Realized Estimated Annual Income
Star Ohio General (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Star Plus	\$ 20,074,911.74	\$ 20,074,911.74	\$ -	\$ -	\$ 40,149.82	\$ 40,149.82	\$ 40,149.82
First Financial Rate Stab (2)	\$ 8,027,958.27	\$ 8,027,958.27	\$ -	\$ -	\$ 16,055.92	\$ 16,055.92	\$ 16,055.92
First Financial Elec Sys Reserve (3)	\$ 4,804,278.42	\$ 4,804,278.42	\$ -	\$ -	\$ 9,608.56	\$ 9,608.56	\$ 9,608.56
US Bk Checking Sweep (1)	\$ 5,403,640.66	\$ 5,403,640.66	\$ -	\$ -	\$ 2,701.82	\$ 2,701.82	\$ 2,701.82
First Financial General Operating*	\$ 22,352,935.27	\$ 22,352,935.27	\$ -	\$ -	\$ 44,705.87	\$ 44,705.87	\$ 44,705.87
City of Hamilton Treasurer's Note (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Hamilton Treasurer's Note (1)	\$ 20,000.00	\$ 20,000.00	\$ -	\$ -	\$ 594.00	\$ 594.00	\$ 594.00
City of Hamilton Treasurer's Note (2)	\$ 192,800.00	\$ 192,800.00	\$ -	\$ -	\$ 3,470.40	\$ 3,470.40	\$ 3,470.40
City of Hamilton Treasurer's Note (1)	\$ 170,000.00	\$ 170,000.00	\$ -	\$ -	\$ 3,587.00	\$ 3,587.00	\$ 3,587.00
City of Hamilton Treasurer's Note (3)	\$ 281,834.30	\$ 281,834.30	\$ -	\$ -	\$ 2,677.43	\$ 2,677.43	\$ 2,677.43
B-Tech General Account (1)	\$ 29,990,791.35	\$ 29,979,504.12	\$ (11,287.23)	\$ -	\$ 324,800.27	\$ 313,513.04	\$ 324,800.27
First Financial CD (1) Benninghofen	\$ 75,000.00	\$ 75,000.00	\$ -	\$ -	\$ 262.50	\$ 262.50	\$ 262.50
Total	\$ 91,394,150.02	\$ 91,382,862.78	\$ (11,287.23)	\$ -	\$ 448,613.58	\$ 437,326.35	\$ 448,613.58

(1) General Accounts

(2) Rate Stabilization

(3) Electric System Reserve

Realized Annual Income / Book Value =

0.49%

Benchmark Rate of Return =

0.45%

\*Contains Gas, Water, & Wastewater Reserve of \$1,150,000

IV.

SHORT TERM YIELDS 2015				
MONTH	STAR OHIO OVERNIGHT LIQUIDITY	STAR PLUS	FIRST FINANCIAL GEN OPER	US BANK OVERNIGHT LIQUIDITY
JANUARY	0.05	0.20	0.20	0.05
FEBRUARY	0.06	0.20	0.20	0.05
MARCH	0.05	0.20	0.20	0.05
APRIL	0.06	0.20	0.20	0.05
MAY	0.05	0.20	0.20	0.05
JUNE	0.07	0.20	0.20	0.05
JULY	0.10	0.20	0.20	0.05
AUGUST				
SEPTEMBER				
OCTOBER				
NOVEMBER				
DECEMBER				

v.

<b>BOND TECH INC.</b> <b>General Operating</b> <b>2015</b>		
YEAR	YIELD PERCENTAGE	AVG LIFE (Years)
JANUARY	1.087	0.240
FEBRUARY	1.094	0.300
MARCH	1.094	0.150
APRIL	1.095	0.870
MAY	1.077	0.710
JUNE	1.062	0.630
JULY	1.083	0.340
AUGUST		
SEPTEMBER		
OCTOBER		
NOVEMBER		
DECEMBER		

<b>BOND TECH INC.</b> <b>Rate Stabilization</b> <b>2015</b>		
YEAR	YIELD PERCENTAGE	AVG LIFE (Years)
JANUARY	N/A	N/A
FEBRUARY	N/A	N/A
MARCH	N/A	N/A
APRIL	N/A	N/A
MAY	N/A	N/A
JUNE	N/A	N/A
JULY	N/A	N/A
AUGUST		
SEPTEMBER		
OCTOBER		
NOVEMBER		
DECEMBER		

v.

## Certificates of Deposit

Issue Date	Due Year 2014 / 2015	1st Financial Bank CD #	Amount	Yield	Purpose
08/15/14	08/15/15	17486357	75,000	0.35%	General Fund - Benninghofen Trust
<b>Total</b>			<b>75,000</b>		

VI.

**City of Hamilton General Operating 19-3266  
Bond Tech Inc.  
Managed Investment Portfolio - July 31, 2015**

Bond Tech	Fund	Custody	Cusp	Purchase Date	Book Value	Next Call Date/Type	Maturity	DTM	Par Value	Coupon	Yield	Est'd Annl Inc
General Operating 19-3266												
	FHLMC Stepup	USB	3134G6AJ2	2/13/2015	\$1,000,000.00	8/13/2015 Qtrly	2/13/2020	1.658	\$1,000,000.00	1.000%	1.000%	\$10,000.00
	FHLMC Stepup	USB	3134G6CW1	2/26/2015	\$1,999,944.20	8/26/2015 Qtrly	2/26/2020	1.671	\$2,000,000.00	1.000%	1.163%	\$23,289.35
	FHLMC Stepup	USB	3134G6S07	4/24/2015	\$2,249,499.06	10/24/2015 Qtrly	4/24/2020	1.729	\$2,250,000.00	1.000%	1.030%	\$23,169.84
	FHLMC Stepup	USB	3130A5M47	5/21/2015	\$2,249,085.87	8/21/2015 Qtrly	5/21/2020	1.756	\$2,250,000.00	1.000%	1.050%	\$23,615.40
	FHLMC Stepup	USB	3134G6EA7	2/27/2015	\$2,999,585.21	8/27/2015 Qtrly	2/27/2020	1.672	\$3,000,000.00	1.000%	1.025%	\$30,745.54
	FHLMC Stepup	USB	3134G6B67	5/28/2015	\$1,999,168.34	8/28/2015 Qtrly	5/28/2020	1.763	\$2,000,000.00	1.000%	1.050%	\$20,991.27
	FHLMC Stepup	USB	3134G6E41	5/28/2015	\$1,998,507.46	8/28/2015 Qtrly	5/28/2020	1.763	\$2,000,000.00	1.000%	1.091%	\$21,803.72
	FHLMC Stepup	USB	3134G6H97	5/28/2015	\$1,499,685.10	8/28/2015 Qtrly	5/28/2020	1.763	\$1,500,000.00	1.000%	1.125%	\$16,871.46
	FHLMC Stepup	USB	3130A5D55	6/4/2015	\$2,999,360.00	9/04/2015 Qtrly	6/4/2020	1.770	\$3,000,000.00	1.000%	1.025%	\$30,743.44
	FHLMC Stepup	USB	3134G6B90	6/11/2015	\$1,999,265.67	9/11/2015 Qtrly	6/11/2020	1.777	\$2,000,000.00	1.000%	1.101%	\$22,011.92
	FHLMC Stepup	USB	3134G6U68	6/18/2015	\$1,999,114.17	9/18/2015 Qtrly	6/18/2020	1.784	\$2,000,000.00	1.000%	1.050%	\$20,990.70
	FHLMC Stepup	USB	3134G7B23	7/9/2015	\$2,998,585.90	10/9/2015 Qtrly	7/9/2020	1.805	\$3,000,000.00	1.125%	1.175%	\$35,233.38
	FHLMC Stepup	USB	3134G7F29	7/27/2015	\$1,999,010.38	10/27/2015 Qtrly	7/27/2020	1.823	\$2,000,000.00	1.100%	1.150%	\$22,988.62
	FHLMC Stepup	USB	3134G7GA3	7/23/2015	\$2,000,000.00	10/23/2015 Qtrly	7/23/2020	1.819	\$2,000,000.00	1.125%	1.125%	\$22,500.00

Market Value

Interest Income

Total Market Value

VI.

**City of Hamilton  
Liquid & Special Purpose Funds - July 31, 2015**

Liquid Funds

Star Ohio - General	\$0.00	
Monthly Interest Income	\$0.00	
Star Plus	\$20,071,505.45	
Monthly Interest Income	\$3,406.29	
US Bank Treasury Invest O/N	\$5,403,369.68	
Monthly Interest Income	\$270.98	
First Financial General Operating	\$22,348,465.12	
Monthly Interest Income	\$4,470.15	
<b>Total Liquid Funds</b>		<b>\$47,831,487.67</b>

City of Hamilton Treasurer's Notes

**\$664,634.30**

Special Purpose Funds

12

First Financial Rate Stabilization	\$8,026,594.85	
First Financial Electric System Reserve	\$4,803,462.48	
Interest Income	\$2,179.36	
<b>Total Liquid Funds</b>		<b>\$12,832,236.70</b>

First Financial Bank

Certificate of Deposit - General	\$75,000.00	
<b>Total Liquid Funds</b>		<b>\$75,000.00</b>

**Total Book Value + Interest Income**

**\$91,394,150.02**

VII.

CITY OF HAMILTON, OHIO  
INVESTMENT REPORT

LIQUID FUNDS SUMMARY

JULY 2015

	STAR OHIO - GENERAL OVERNIGHT FUNDS	STAR PLUS	US BANK TREASURY INVESTMENT OVERNIGHT LIQUIDITY	FIRST FINANCIAL MARKET LIQUIDITY	TOTAL LIQUID FUNDS
BEGINNING BALANCE JULY 1, 2015	\$0.00	\$20,071,505.45	\$8,085,990.81	\$28,348,465.12	\$56,505,961.38
TRANSFERS IN					\$0.00
INTEREST INCOME		\$3,406.29	\$270.98	\$4,470.15	\$8,147.42
OTHER DEPOSITS			\$5,833,891.03		\$5,833,891.03
DEBT PROCEEDS					\$0.00
TOTAL INFLOWS	\$0.00	\$3,406.29	\$5,834,162.01	\$4,470.15	\$5,842,038.45
TRANSFERS OUT				\$6,000,000.00	\$6,000,000.00
OTHER WITHDRAWALS			\$7,851,877.86		\$7,851,877.86
TOTAL OUTFLOWS	\$0.00	\$0.00	\$7,851,877.86	\$6,000,000.00	\$13,851,877.86
ENDING BALANCE JULY 31, 2015	\$0.00	\$20,074,911.74	\$6,068,274.96	\$22,352,935.27	\$48,496,121.97

VII.

CITY OF HAMILTON, OHIO  
INVESTMENT REPORT

SPECIAL PURPOSE FUNDS SUMMARY

JULY 2015

	FIRST FINANCIAL GAS RATE STABILIZATION FUND	FIRST FINANCIAL ELECTRIC RATE STABILIZATION FUND	FIRST FINANCIAL WATER RATE STABILIZATION FUND	FIRST FINANCIAL WASTEWATER RATE STABILIZATION FUND	FIRST FINANCIAL ELECTRIC SYSTEM RESERVE FUND	TOTAL SPECIAL PURPOSE FUNDS
BEGINNING BALANCE JULY 1, 2015	\$2,509,716.19	\$2,108,027.60	\$1,377,966.22	\$2,030,884.83	\$4,803,462.49	\$12,830,057.33
DEPOSITS						\$0.00
TRANSFERS IN						\$0.00
INTEREST INCOME	\$426.31	\$358.08	\$234.07	\$344.97	\$815.93	\$2,179.36
DEBT PROCEEDS						\$0.00
TOTAL INFLOWS	\$426.31	\$358.08	\$234.07	\$344.97	\$815.93	\$2,179.36
TRANSFERS OUT						\$0.00
OTHER WITHDRAWALS						\$0.00
TOTAL OUTFLOWS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ENDING BALANCE JULY 31, 2015	\$2,510,142.50	\$2,108,385.68	\$1,378,200.29	\$2,031,229.80	\$4,804,278.42	\$12,832,236.69



VIII.

Fixed Income Benchmarks

July 31, 2015

Comparison to Managed Portfolios

	Bond Tech, Inc.		% Change
	Treasury Investment	Rate Stabilization	
Federal Funds Rate	0.25	1.083	N/A
Star Ohio Yield	0.10	1.083	N/A
Star Plus	0.20	1.083	N/A
2 Year Treasury Note	0.67	1.083	N/A